

THE WORKFORCE INVESTMENT ACT

HEARING OF THE COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS UNITED STATES SENATE ONE HUNDRED SEVENTH CONGRESS FIRST SESSION

ON
EXAMINING CURRENT JOB TRAINING ISSUES RELATIVE TO A FRAGILE
ECONOMY, FOCUSING ON IMPLEMENTATION OF THE WORKFORCE IN-
VESTMENT ACT OF 1998, STREAMLINING TRAINING SERVICES AT THE
LOCAL LEVEL, ENHANCED TRAINING OPTIONS, AND A STRONGER
ROLE FOR THE PRIVATE SECTOR

OCTOBER 4, 2001

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THE WORKFORCE INVESTMENT ACT

THURSDAY, OCTOBER 4, 2001

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room SD-430, Dirksen Senate Office Building, Senator Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Jeffords, Wellstone, Murray, and Clinton.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. Good morning. The committee will come to order.

I would like to thank all of you for participating in this important hearing on job training, and I want to welcome Assistant Secretary Emily DeRocco and also a very, very good personal friend and one of the great Mayors of our City of Boston, Tom Menino, and others who will be testifying here today about the needs for training and future prospects for employment in the United States.

Mayor Menino is an impressive leader in Massachusetts and across the country on the importance of job training, and he has been effective in giving important priority to this issue in the city budget. He is a strong advocate for providing adult workers and at-risk youth with the skills that they need to compete for good jobs.

Thank you, Mayor Menino, for being here today and for all that you do every day for our city and our State and our country.

The members of this committee have worked well together to create the current workforce investment system, and we are committed to ensuring that the system gets the attention and resources that it needs to fulfill its promise.

The tragic events of September 11 have had a devastating impact on thousands of American families. There are no words that adequately describe our concern for their plight. As a Nation, our hearts are with all of these families. Many have shown their support by volunteering. Others have donated to charities.

The working families of the Nation are the true backbone of our country. We are proud of their commitment, proud of their courage, proud of their spirit, and proud of their strength.

Today this committee will focus its attention on the needs of workers. Specifically, we want to ensure that the system that was created to deal with job training and job placement is ready to meet the extraordinary needs of the coming months.

Over the past year, unemployment rates were up in 38 States, with a national increase of one-half of one percent in the number of dislocated workers during the year.

A significant share of the recent increase in unemployment is due to the rise in the number of mass layoffs—layoffs that affect 50 or more workers in the same company. Over the course of the past year, such layoffs have increased by 50 percent. In Massachusetts, the number of such layoffs has increased by 85 percent. Two-thirds of those layoffs occurred in the manufacturing sector. These workers need to be retrained because their jobs do not exist anymore.

There has rarely been a time when investing in job training is more critical. In the strong economy of recent years, many workers without high skill levels were able to obtain a job and learn the needed skills while working. In the current slowing economy, competition for jobs is much greater. Workers without literacy skills, without proficiency in English, without technology skills will find themselves left behind.

Businesses struggling to compete in the modern world economy need the best workforce that we can give them. Hardworking Americans deserve the best training possible so that they can do what they do best—make our country strong.

Job training is essential, and so are other steps. We need to strengthen the unemployment insurance system. We need to provide health coverage for laid-off workers. These measures are especially important now because of the slowdown in the economy.

Our witnesses today have been asked to describe how the job training system has evolved. Are workers getting better service at the one-stop career centers? Are training dollars helping to match skill programs with the jobs that are available in local areas?

We will begin this morning with comments from Assistant Secretary DeRocco and then hear from experts from the General Accounting Office, who will discuss the current report on implementing the Workforce Investment Act.

I want to mention some of the important information that we have from a very important study that has just been completed at Northeastern University. I will just read a few excerpts and include it in its entirety as part of the record.

“We find very little comfort in the still relatively low unemployment rates in the region and State given the dramatically changed condition in the region’s unemployment picture over the past 6 months.” They are describing New England.

“Our analysis of unemployment data reveals that a disproportionate share of the Nation’s recent rise in aggregate unemployment has been concentrated in the New England region. The findings provided reveal that over the past 12 months, the national number of persons officially classified as unemployed in the household survey increased by 747,000, or about 13 percent. In New England, the number of unemployed persons rose at a much more rapid rate over that same period of time. Unemployment in the region grew by 73,000 persons over a 12-month period. This represents an increase of 37 percent in open unemployment in the region, a rate of increase nearly three times that of the Nation.”

"In Massachusetts, total unemployment grew even more rapidly than in the region. Since last winter, the number of unemployed workers in Massachusetts is estimated to have increased by nearly 60 percent, growing by 52,400 persons over the time period, with all of this increase taking place since the winter."

"These findings reveal that over the past 12 months, 13 percent of the Nation's increase in unemployment occurred in the New England States despite the fact that New England accounts for only one in 20 labor force participants in the Nation."

They make another interesting observation: "Our analysis clearly indicates that rising layoffs are a key factor in explaining the worsening unemployment in New England. Mass layoff events are defined as a layoff in which a business establishment within a State has at least 50 initial unemployment insurance claims during a 5-week period. To qualify as an extended mass layoff, at least 50 workers must remain on layoff for at least 30 days. The number of events that have occurred in the Nation has increased sharply over the past year."

"Thus, as the national economy has weakened, New England has experienced a disproportionate share of major national layoff actions. Similarly, Massachusetts saw the number of mass layoff events rise by 85 percent over the past year, leading the region in the rise in layoff events. This represents a 44 percent increase in the number of persons losing their jobs due to mass layoffs."

[The document referred to was not received in time for press.]

The CHAIRMAN. So this is something that is taking place across the country with particular focus in the New England area, although it is taking place across the country.

I just want to mention that strong support for the training programs comes equally from representatives of the workforce as well as the business community. I will not take the time now, but will include the relevant documents from the Chamber of Commerce and other groups on this matter.

[Document referred to may be found in additional material.]

The CHAIRMAN. We in this committee spent 5 years restructuring the workforce to bring 127 different workforce programs and 12 different agencies together into one-stop career centers to try to begin to coordinate and consolidate and find out what the workers were best suited for and then to ensure that there would be training programs, and then give the information to the trainees to find out which programs would work best for them and, at the end of the day, what the retention rate was when they got jobs after going through the programs. So we increased the responsibility for the training programs and for the workers and gave them greater flexibility, and we have found very broad success.

The real question is whether we are going to have the resources to put these ideas to work. Last night, the President announced a \$70 billion stimulus program which has a variety of features. We will not have an opportunity today to get into the training programs, but we want to underline the importance of the training programs in this, and I think it is extremely important that that stimulus program contain these training programs.

As a final point, a lot has been made in the past of unexpended funds—and I am going to ask the Mayor to address this, and I will

just make a comment—what unexpended funds does not detail is obligated funds. If you look at our region of the country, there may be a couple of States that have not obligated their funds, but in the great number of States, they are right up to here in terms of obligated funds. In many of our universities, for example, we have changed the way of doing business so that the reimbursement goes to the universities and colleges for the program only after completion. So those funds have been obligated, they have been earmarked, they are going to be used, and it should not be considered that there are plenty of funds out there if only the interested parties would get busy about it.

When I first entered public office, if you worked in the Fall River shipyard, your father worked there, and your grandfather worked there. You had a high school education, and you had a good life. Today, everyone who enters the workforce will have nine different jobs. We understand that. But if this country is going to be competitive, if we are going to meet our responsibilities to the workforce, we have to make sure that we make available to American workers the training to enable them to upgrade their skills and continue to perform to ensure that we have the strongest economy in the world and that those families will be able to reach their highest dreams.

I turn now to the chairman of our workforce subcommittee, Paul Wellstone.

OPENING STATEMENT OF SENATOR WELLSTONE

Senator WELLSTONE. Thank you, Mr. Chairman. I will be very brief so we can get on with the testimony.

I was listening to your remarks, and you are quite right—along with your help and Senator Jeffords' and others, Senator DeWine and I spent a good number of years on the Workforce Investment Act.

The CHAIRMAN. Yes. I want to acknowledge that work.

Senator WELLSTONE. I have here a number of strong recommendations from businesses in Minnesota in behalf of these workforce centers, and I would like to include that in the record.

The CHAIRMAN. It will be so included.

[The document referred to was not received in time for press.]

Senator WELLSTONE. The second thing I want to mention is that, along with yourself and Senator Collins and Senator Enzi, we circulated a bipartisan letter urging the appropriators to increase the 2002 funding for workforce development, and I think it is going to be key that this be a part of any economic stimulus package.

Then, believe it or not, I only have one other thing to do. There is a lot that I could say but I will not—unless you encourage me, which you will not—but I think everything that you said could apply to Minnesota. The only thing I would say is that beyond the aviation employees, I can tell you that I am going to have an employment and training hearing back home on Monday, and unfortunately, it will be packed with people, because this economic downturn cuts across a very broad sector of the population, including the small business sector. So I think this hearing today is extremely important.

Finally, to save time, I want to introduce on the second panel Rebecca Yanisch, who is the commissioner for the Minnesota Department of Trade and Economic Development. She has been commissioner for 6 months, but for 20 years, she has been about this work, focusing on communities, economic development, workforce development. So I am very honored that she is here to represent our State of Minnesota.

And I am hoping that Berilynn Corcoran will have a chance, Mr. Chairman, to say just a few words, because hers is a powerful story. She is a laid-off clerical worker from Northwest Airlines. She is an IAM member from Minneapolis, a single mom with two children, who started as a cleaner in 1999 for Northwest. As a single mom with two kids, she wanted weekends off, so she moved to a clerical position and then, with little seniority, she was out of work on September 24.

I have one additional point, Mr. Chairman. Ms. Corcoran's son Zach has been a kidney patient at Saint Jude's and is also a Partner in Hope, and for the past 2 years, he has been collecting, if you can believe it, aluminum cans and turning them in for cash, and he recently turned over the proceeds of \$300 to Saint Jude's. This is phenomenal kid with a phenomenal mother, and I am hoping that with our commissioner, she can just have a few words also before the committee.

I thank you for being here, Mayor and Ms. DeRocco. We look forward to your testimony.

Thank you, Mr. Chairman.

The CHAIRMAN. I see my colleague and friend, Senator Jeffords, is here.

Senator JEFFORDS. Why don't we proceed with the testimony, Mr. Chairman? Thank you.

The CHAIRMAN. Very good.

Before we begin I have a statement from Senator Enzi.

[The prepared statement of Senator Enzi follows:]

PREPARED STATEMENT OF SENATOR ENZI

Mr. Chairman. Thank you for calling this hearing to discuss job training under the Workforce Investment Act.

As the former Chairman and now Ranking Member of the Subcommittee on Employment, Safety and Training, I have been a strong supporter of the Act. When the legislation was passed in 1998, it was a milestone in the development and delivery of a comprehensive workforce investment system to better serve our nation's workers and employers. Today, in the wake of the tragic events of September 11 and the weakening economy, the Act plays an even more critical role.

The fundamental principles upon which the bipartisan Workforce Investment Act was based included: (1) state and local flexibility, (2) a strong role for local workforce investment boards and the private sector, and (3) streamlining services.

Under WIA, states and localities have increased flexibility. Significant authority is reserved for Governors and local elected officials to implement innovative workforce training programs tailored to meet the needs of the local and regional labor markets. As WIA reflects, state and local governments, not the federal government,

are best-positioned to recognize and respond to workforce needs and must be given the room to do so.

WIA creates a public/private sector partnership in the strong role of local workforce investment boards. These local, business-led boards focus on strategic planning and oversight of the local workforce investment system. Local businesses and labor have a direct stake in the effectiveness of the local workforce investment system. They also have direct insight to local workforce data and needs. The active involvement of local business and labor is therefore critical to effective workforce training. WIA recognizes that decisions should be made by those closest to the problem and, therefore, closest to the solution.

WIA was enacted to streamline the fragmented employment and training system previously in place. By integrating services in the "one-stop" delivery system, employment and training services are more accessible for individuals seeking jobs and training as well as the businesses providing the jobs.

These principles of state and local flexibility, public/private partnership, and streamlined delivery were intended to ensure that WIA withstood the test of time. Like so much else in the aftermath of the terrorist attack, this nascent statute is being tested today in a way that was hard to even imagine when the law was enacted. However, I believe that the key principles upon which WIA was built provide a structure for workforce investment in this country that can effectively respond to the challenge.

Whether in a period of economic expansion or contraction, WIA is designed to meet the changing workforce development needs of the time. Through the operation of national emergency grants, WIA also has a mechanism in place to provide assistance to dislocated workers as a consequence of the terrorist attack and subsequent security measures. It is our responsibility to see that there is sufficient funding for WIA to perform the functions for which it was designed.

I have previously expressed serious concerns about the use of workforce investment funds to offset for 2001 supplemental appropriations. previously in existence. There are no longer alternative training programs for dislocated workers to access if we make it impossible for them to access WIA's one-stops by not restoring the rescission passed in July.

In my state, this rescission would reduce funding for dislocated workers from \$555 thousand to \$345 thousand. While these numbers might not seem significant to those from larger states, it represents a 38% cut in the funds Wyoming has available to assist those hit by unemployment. This would have a serious adverse impact on the progress we have made in the implementation of WIA.

On top of the substantial rescission of FY 2001 funds comes a FY 2002 budget cut at a time when workforce training is needed most. Total state allotments for dislocated worker activities are cut by 6% based on pre-rescission numbers. In New York, the state hit hardest by the terrorists attack, the state allotment for dislocated worker activities is reduced by 25%. Wyoming's allotment is reduced by 13%.

Even before the events of September 11, the proposed rescission and budget cuts in WIA funding seemed misguided. In the after-

math of the terrorist attack and ever weakening economy, the recession and budget cut are unfathomable. Now is not the time to undermine the principal mechanism through which workforce training and assistance is delivered. Now is the time to enhance it so that state and local workforce investment boards may provide much-needed assistance to dislocated workers.

I thank you Mr. Chairman.

The CHAIRMAN. Ms. DeRocco, we want to thank you very much. I understand that you have taken the time to visit "ground zero" last week. I know that it must have been as moving for you as it has been for all of us.

We look forward to your testimony and importantly, we look forward to working with you on these issues in the Department.

Thank you very much for being here.

STATEMENTS OF EMILY S. DeROCCO, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC; AND HON. THOMAS M. MENINO, MAYOR, BOSTON, MA

Ms. DeROCCO. Thank you, Mr. Chairman and members of the committee. I am very honored to appear before you today.

I know that our purpose today is to discuss the progress in implementing the Workforce Investment Act, and we do believe that the publicly-funded workforce system and the one-stop career systems being created in States and communities across the Nation are critical components of the workers' economic safety net in both good and challenging economic times.

Today we face some of those challenging times. In August, as the newly-confirmed assistant secretary of ETA, I began examining progress in implementation of WIA. Then came September 11, a day that is seared in our collective memories. On that day, thousands of workers went to work, and many never came home; and thousands more, as survivors, lost their jobs and their families' security.

Since that day, we at the Department of Labor have been focused on deploying the tools and the resources of the publicly-funded workforce system to assist those who have lost their jobs.

The Monday after the attack, I did go to New York City at the request of New York Labor Commissioner Linda Angelo. She advised me that available data indicated that businesses in the area of Lower Manhattan affected by the attack employed approximately 700,000 workers. Of these, preliminary estimates are that 75,000 will be filing unemployment insurance claims, and another 35,000 may attempt to access the Disaster Unemployment Assistance Program.

With Secretary Chao's direction, we are working closely with New York and Virginia and other States that are feeling the effects directly of the attacks of September 11 and those workers who need services as a result of the ripple effects of those attacks.

The Labor Department has already provided \$25 million to New York to create temporary jobs for dislocated workers. Another \$3.5 million has been made available to New York to shore up their unemployment insurance infrastructure, and their UI claims work-

load as it increases will require additional funds, and we are prepared to provide those.

We are working with the Commonwealth of Virginia to ensure their unemployment insurance and disaster unemployment assistance infrastructure is available to meet workers' needs. In fact, we had Federal staff who joined with the Virginia Employment Commission staff at a temporary site at Reagan National Airport to take the claims of workers dislocated as a result of the Pentagon attack.

As other States like Minnesota experience mass layoffs or major dislocations, I know that you know the resources of the Secretary's national reserve under WIA are available to assist in States' and communities' efforts to supplement current services of the publicly-funded workforce system.

Let me turn now to those current services and the original purpose of today's hearing to discuss our progress in implementing the Workforce Investment Act and the new integrated service delivery system.

Generally, I can report to you that States and local communities have made great strides in integrating WIA. All 54 States and Territories have plans approved by the Department and operational. There are incredibly successful examples of one-stop career centers in most States across the country.

Just as the General Accounting Office has been analyzing our progress, so too has the Employment and Training Administration in DOL. I want to take a moment to commend the GAO. In a former life, I was part of their information-gathering team and participated in many of their discussions that led to their analysis, and I know they have done an extraordinary job with some very, very helpful results.

The three central issues that GAO has identified are indeed the three issues that have surfaced from the Federal, State, and local workforce system work groups that the ETA commissioned. Let me comment on those three issues briefly.

First is the full integration within the one-stops. This effort to build one-stop career center systems is not unlike a private sector venture to establish a mega-merger of many dynamic companies. They all have their own corporate cultures; some still have their own requirements and funding streams. This creates tension; this creates some difficulty.

However, again, there are outstanding examples of integrated one-stops around the country. Some models that I would cite for you are in San Diego, CA, where customer satisfaction surveys put their customer satisfaction results absolutely parallel to some of the private sector customer service leaders like Nordstrom.

We have attempted to help one-stops in the integration of services deal specifically with cost-sharing and cost allocation issues, which has been a financial burden. We issued guidance to States and communities to help in that regard, and we will be very much more aggressive in the days ahead in sharing promising practices from those States and communities that have been successful in integrating services.

The issue of the systems difficulty in recruiting eligible training providers is a very challenging one. Our system reports that many

providers just simply find that the information requirements to get on the list are too burdensome in relation to the number of WIA-funded participants who enter their programs. While States' policies on these eligible training provider lists vary, it does appear that the most successful are those that allow providers to apply and update their data online and/or where States and communities are assisting providers in making performance data available at a lower cost.

Again, we do have successes in the system—I would point to Missouri and Texas as examples of eligible training provider systems that appear to be working well, and we intend to help those States lead the way for others who are having some difficulty getting this part of the Workforce Investment Act operational.

Third, the GAO cited the challenge of fully engaging business, as you have, Mr. Chairman, on the State and local workforce boards. Nationally, we have engaged our business partners to help provide peer-to-peer assistance in clarifying the business role, the critical role in driving this system. We have identified successful board operations across the Nation, and we are using them as models for other State and community boards to utilize.

Finally, I do want to assure you that we are keeping close watch on the availability of funds in the present economy. This is a critical issue for the States and local communities who are committed and dedicated to serving the needs of the businesses and workers, their constituents as well as yours.

I want to thank you for this opportunity to share our observations with you. At the Department of Labor, it is our commitment to continue to support State and local agencies as they work to quickly and effectively help those affected by the September 11 attacks and the ripple effects that the attacks have caused. Next year at this time, we will be able to come before you to reflect back and say this system was up to the task. Thank you.

The CHAIRMAN. Thank you.

[The prepared statement of Ms. DeRocco may be found in additional material.]

The CHAIRMAN. Mayor Menino, welcome.

Mayor MENINO. Thank you, Senator Kennedy and members of the committee.

I want to thank you for inviting me to testify today on the critical issue of workforce development. As our Nation works to regain its economic footing, we must continue to build a workforce training and placement system that brings skills to people and people to jobs.

The tragic events of September 11 have highlighted the plight of workers laid off in the airline industry, in the hospitality industry, and all the businesses that support these sectors. Yet even before that sad day, American workers young and old were finding themselves out of work as a result of corporate cutbacks.

As vice president of the U.S. Conference of Mayors, I can tell you that mayors saw this happening months ago. That is why we spoke out in the summer against rescinding funds for job training for dislocated workers.

It just did not make sense to cut funding for dislocated workers at a time when the number of people out of work was rising. And it does not make sense now.

Let me express my appreciation and that of the U.S. Conference of Mayors to the 45 Senators from both parties who signed a letter to the Senate Appropriations Committee urging restoration of these critical funds. You were right then, and you are even more right now.

Over the last year and a half, our national unemployment figure has climbed to almost 5 percent. In Boston, for example, the number of unemployed rose from 8,500 in August of 2000 to more than 13,000 in August of 2001—a jump of more than 50 percent.

For Massachusetts, the numbers are equally alarming—just over 90,000 in August of 2000 to more than 124,000 in August of 2001.

We know that this is not a local or regional phenomenon; pink slips have sprouted up around the country as our economy has slowed. Mayors hear these stories every day from our neighbors and our friends.

On Tuesday, I met with Mayor Sharon Sayles Belton of Minneapolis, along with many business and labor leaders from her city. They are facing enormous problems caused by Northwest Airlines layoffs, and they also need help.

Senator Kennedy, I have faith that the strong and diverse economy of America's cities will bounce back, but we need a jumpstart now. And workforce development is the spark that we need to ignite our Nation's economy.

Our job training systems are starved for funds. There are good programs and good placement rates in our cities, but the funding is short, and the challenge is tall. We have a good base to build upon thanks to the one-stop career centers created by the Workforce Investment Act and the partnerships formed between business and local government. But right now, it takes every resource that a career center has to handle the referrals from a single plant closing.

Senator Kennedy, I want to thank you and your colleagues for supporting these career centers. The system is in place, and it is working. Now we need to do more. We have to support these centers by giving them the funding they need to put our people back to work.

One-stop career centers provide a number of important services, not just for workers but also for employers. But these centers are working at full capacity and have been for a while—before the economic slowdown and before the tragedy on September 11.

I can assure you of this—if you give us the resources, we will help people find new jobs. We need cooperation across a number of Federal agencies to ensure a quick recovery. Job training and assistance in finding a job are only parts of the puzzle. Some people will not get back to work unless we help them learn English. Some will need to get high school credentials. Others need child care and health care services.

Cities like Boston are doing our part with local dollars. In my State of the City speech, I committed \$2 million in city funds for skills upgrading. In addition, Boston provided another quarter-million dollars to expand English as a second language programs.

That investment was matched three-to-one by foundations and the private sector so that our new Bostonians can find better jobs and better lives for their families.

This year, Boston spent \$5 million—one of the largest amounts spent nationally—to ensure that young people had jobs this summer. Let us not forget our young people. They are our future workforce and in many places, a key part of our economy. Let us not cut their programs and steal their hopes for a better future.

We should remember that while these are tough times for our economy, and some industries have been hit hard, there are other industries and occupations in great need of skilled workers. We are working extensively with the health care industry in Boston, not only to ensure its long-term fiscal health but also to provide them with a quality workforce that will continue to draw patients from around the world.

If I can leave you with a few thoughts today about an economic stimulus package, I would recommend the following. In addition to providing the immediate benefits that laid-off workers need, give cities the funds to provide workers with the skills training necessary for them to find new jobs. Invest in the one-stop career centers—the infrastructure created under WIA. We can put the money to work quickly and we can give you real results. The fallacy is that same people are saying that some cities have not spent their money. There is a lag between billing and the Federal Government paying it; it takes 6 to 12 months for that money to get spent.

Second, look at job training as something that extends beyond the Workforce Investment Act. English classes help. GED programs for adults help. Computer literacy also helps. We have a program in Boston called Technology Goes Home that is training families, adults and children, to use computers. I have seen family breadwinners and single parents get better jobs because they became computer-literate. This is a program where we train parents and children together, and they are able to bring a computer home. Some of these families would never have a computer unless we had this program in our city.

Third, in fact, if you want to stimulate the economy and improve job skills, I would give a tax credit to every family of modest means that buys a computer. It would boost manufacturing while expanding technology literacy. I think it is a winner both ways.

I hope the Senate will consider several other short-term tax incentives as a menu of options, including: credits for moderate and low-income workers who spend their own hard-earned money to improve their chances for a better job; short-term tax credits for businesses that use the slowdown in the economy to retrain their workforce rather than laying them off; incentives and strategies for small business owners and their workers to enable them to fully participate in any workforce recovery strategy; increasing low-income housing tax credits to spur a lagging construction industry; lifting the cap on State and local tax-exempt bonds as a means to boost economic development; and incentives for travel, to get both businesses and families back in the air, on the rails, and on the road.

Again let me thank the committee for inviting me to testify today. In the last few weeks, we have seen our country unite in

ways that I do not think many of us could have imagined just 1 month ago. We have come together to help New York and Virginia rebuild. We are supporting our military as they prepare to defend freedom. We have reached out to the airline industry so that it can continue to function as an important part of our economy. And now, it is time for us to come together and support American workers. We need to put them back to work, and workforce development should be an important part of an economic stimulus package. We need to make the investment now, and we need to continue to do so for generations to come.

Thank you very much.

The CHAIRMAN. Thank you, Mayor, for a superb statement.

I failed to mention that Mayor Menino will become chairman of the U.S. Conference of Mayors in January, so this will be an important part of his leadership.

Let me ask you first, Ms. DeRocco, when the one-stop career center program went into effect, we were at a time of economic prosperity with low unemployment, relatively low interest rates, and an expanding economy. We now have a transition, and maybe you could comment about the kinds of challenges you face with this transition, moving into increasing unemployment and how you are adjusting to these changes. What have you learned from it, and do you find that this is making it easier because the volume and demand are helping to get programs in place? What lessons are you finding with increasing pressure?

Ms. DEROCCO. During the good economic times, the one-stop career centers as universal service centers experienced significant business. As the Mayor pointed out, a significant amount of the business was absolutely rapid reemployment of jobseekers who came in, were in some instances able to use the self-help resources, find a job, and go immediately back to work, and that was intended as part of the Workforce Investment Act to be a critical component of the one-stop career centers.

There has been much discussion about not as much training occurring in the first years of the Workforce Investment Act implementation, and that could well be largely a result of the good economic times and the fact that unemployment was low, businesses were looking for workers, and it was possible for the system to focus on the rapid reemployment portion of their business and their jobs.

Now, clearly, we are going to be dealing with more dislocated workers who perhaps may not be able to return to their same occupations, whose skills may in fact need to be upgraded, and the training component of Title I of the Workforce Investment Act may well be in more demand.

We believe the system is prepared to address the dislocated workers as they enter the one-stop career center system. Again, I would reference the provisions of the eligible training provider list preparation that continues to be a challenge for our system. We need to ensure that we have adequate lists, adequate opportunities, adequate information for those individuals who are seeking to retool their skills so that they can select training opportunities that will result in jobs in occupations and industries in demand in their local labor markets.

We are going to be working very closely with the Title I components of our one-stop career center system to ensure that they are prepared, that they have the resources and the tools they need to serve those workers.

The CHAIRMAN. You are satisfied with the development of these training programs, then, that they are good quality as they come on line? Is that part of it taking time?

Ms. DEROCCO. I would say that we are not satisfied with the progress that we have made in getting a sufficient number of training providers on the eligible training provider list. That is why I referenced that it is important for us to learn from the States and communities that have been successful, to find out what hurdles or burdens they eliminated or removed so that more of the training providers are willing to become training providers under the Workforce Investment Act system. We are going to be focusing on that.

The CHAIRMAN. Finally, in my State, for example, Lucent Technologies will release an additional thousand workers in the next few weeks. That local area just outside Boston has absorbed over 2,000 layoffs in the last 10 months. These are good jobs, but these are also skilled workers who will have to change fields in order to find jobs.

What are the current resources at DOL to handle national emergency grants?

Ms. DEROCCO. For national emergency grants, we have under current appropriations about \$220 million. As you know, States and communities can request national emergency grants for major plant closings or major dislocations. Two hundred twenty million dollars is a significant amount of money. We do not know at this juncture, with the ripple effect of the September 11 attacks, just how many States will be requesting help through the National Emergency Grant Program. Currently, only Minnesota and the State of New York have filed NEG applications. Our callouts across the Nation to other States indicate that there may be as many as 10 in preparation.

The CHAIRMAN. Of the 10 in preparation, as I understand it, New York has requested \$155 million.

Ms. DEROCCO. New York did request \$155 million, and the \$25 million was part of the emergency supplemental directly.

The CHAIRMAN. There is a lot of need out there.

Ms. DEROCCO. Absolutely. I understand that.

The CHAIRMAN. Mayor, as I understand it, we have 16 different areas in our State and three training programs in Boston, and you have completed the first year of the program, and some 500 unemployed have gone through the program. Communities make their own judgment about the number of centers they have. Brockton has one, Worcester has three.

I want to hear what your sense is of the demand being placed on the centers currently, and then, I would also like you to address the targeting of at-risk youth, which has been a special concern of yours with your Youth Opportunities Grants. These are kids who have dropped out of school that we are trying to get back into school and focused in terms of continuing their education, and we have had good success in that.

Those are two different issues, but perhaps you could address both of them briefly.

Mayor MENINO. First, Senator, on the national emergency grant, we have an application in, and we are waiting for it.

Ms. DEROCCHO. It is coming.

The CHAIRMAN. There you go.

Mayor MENINO. We have about 300 folks who have been laid off, Asian individuals who were just put out of work 1 day when the guy closed his doors and said, "We are all done with our business." Those folks are willing to go back to work, and it is part of the process.

The CHAIRMAN. If I could just mention parenthetically how well those grants have worked in the past through the Department. They have had some really important impacts on people's lives. I have seen them work in a number of different communities. So I know that we are hard-pressed in terms of getting resources in there and so on, but we want to try to give support to things that we do know work as well as trying other kinds of things.

Excuse me. Please go ahead.

Mayor MENINO. That was no slight to the Department of Labor, because they have always been there in the past to help us with folks who need retraining, and we thank them for that.

Let me just say on the career centers that we spent all of our Workforce Investment Act funds last year and have committed all of our funds for the current year. For dislocated workers, we could have used our entire fiscal year02 budget in one plant closing. Just think about that.

The one-stop career centers are seeing very large increases in customers who have been laid off or had their hours reduced, which is another phenomenon out there—they were working 30 hours a week, and now they are down to 15 hours a week. That means they are losing their health benefits as well, which is another issue that develops here.

So I would just say that we absolutely need more training funds coming through our doors so that we can make sure we can deal with the individuals who need new jobs, but also, it is very important that we get them back to work and part of our society.

I have seen the career centers, I have been there, I have seen the opportunities they give folks, and I will just say they are a wonderful resource, especially with cities that are changing. Boston is a minority/majority city today, and a lot of the folks need retraining. One-third of the folks who come to Massachusetts from another country have either a bachelor's degree or a master's degree. How do you retrain them for real jobs? That is what the career centers can do—help those folks get real jobs in our society and upgrade their status from working in a hotel or a restaurant.

So it is very important that these career centers get funding and also receive the resources to continue. They are working throughout the country, and my workforce development person tells me that this is probably one of the best programs that we have out there.

The other one is the Youth Opportunities Program. We have 1,000 young men and women in that program. I go to the graduations and see the young people and the opportunities they get. If

we do not handle those 1,000 kids, where do they end up? They could end up as a public safety issue or in the criminal justice system. We are able to grab some of those kids, train them for jobs, give them opportunities with our counseling services, and it works out very well for us, Senator. That is where you have to start, with the young people. The kids need opportunities for a better future. That is what we have done in the past, and that is what we have to do in the future.

The CHAIRMAN. Excellent. Thank you.

Senator Wellstone?

Senator WELLSTONE. Thank you, Mr. Chairman.

Let me thank both of you for your testimony and also emphasize the importance of the emergency grants. Minnesota certainly does have an application in, and they have worked well, and some States have really been hit hard. In our particular case, Northwest Airlines is the largest private employer we have.

Ms. DeRocco, the Workforce Investment Act is near and dear to my heart; it was one of the best bipartisan efforts, working on this bill with Senator DeWine. One of the reports, though, that I have heard is that the States and localities have put a lot of emphasis on building a new delivery system but that there actually might not be as much job training taking place as we would have hoped for, because that is what this is all about.

Senator Kennedy alluded to this, but I want to engage you in a discussion on this question, because my guess is that as we now move into very uncharted economic territory, there is going to be more of an emphasis and people saying, "Listen, we are here because we have got to find work, we have got to put food on the table."

Ms. DEROCCO. Absolutely. I also alluded to it earlier. I think we probably do not have enough evidence to know if the amount of job training, which was less than people originally anticipated, including the Department of Labor, was a result of the State of the economy and the fact that many of the workers who were first and foremost interested in getting back to work and making an adequate living and feeding their families in fact went to one-stop career centers, found there were jobs available, and went back to work. We think that that had some significant impact on the amount of job training that has occurred.

Secondarily, through our work groups of Federal, State and local participants, we have identified what was a perception that the law required a "work first" philosophy, and we have been asked to clarify that in fact there is no statutory requirement for that, and that may have driven some local areas to a different kind of service delivery or a different approach.

Again, you wrote the Workforce Investment Act to be very State and locally flexible, and there may well still be State and local areas that choose to use the "work first" philosophy as the underpinning for their operations, but it is incumbent upon us to clarify that the statute did not require that.

Third, I hope that you have heard our leadership, Secretary Chao, and her commitment to re-skilling America and addressing the skills gap that definitely exists between the jobs that are currently and will in the future be available and the skills of our

American workforce. So we are committed to the kind of training that is necessary to build the skills of the American workforce.

Senator WELLSTONE. I think the emphasis on training for the jobs, of course, is bread and butter for people, and the Mayor is nodding his head. Sometimes, I think the “work first” that you are alluding to gets us into trouble because, for example, on welfare-to-work, what people are trying to do is find living wage jobs, so the training is critically important. But ultimately what it is about is investment in the skills. It is a human capital investment, and I think we are going to have to really make sure that that is the primary focus.

I remember—in fact, Commissioner Yanisch was there—we had a gathering in the Phillips neighborhood in South Minneapolis before this sharp economic downturn, and there were a lot of people there—it was pretty well-attended—and they were giving some of the workforce investment people a little bit of trouble—I thought it was positive trouble—you know me; I am for that—and basically what they were saying was, “We are here, and you are talking about these jobs and this information technology, and we are ready. Why can’t we have this connection? Why can’t we be there, get these skills and get that work?” So I just want to emphasize that.

Second, I am really glad the Mayor mentioned that letter. I think all of us were on the letter, and we distributed it. I wanted us to get over 50, and I think we can get well over 50 now. We got up to 45 then.

But one of the things that came up was the whole issue of expended versus obligated funds and what is in the pipeline. I wonder if you could help us work through that, Ms. DeRocco, because I think that is going to be critically important.

Ms. DEROCOCO. We are trying to work through that as well. As I understand from our budget office, there is about \$1.8 billion, quote-unquote, in the pipeline which is carryover money, and after the first series of reports on expenditures came in and it showed an extraordinarily low expenditure rate, we have been very adamant and outreaching in terms of telling States and local communities that they needed to include in their reports all obligations, not just expenditures. And I think we are approaching a point where our data will be far more accurate as a result of that emphasis and that understanding that perhaps the first round of reports did not clarify. That is clearly number one.

No. 2, there are probably some equity issues in terms of where the carryover money is and where it is not, and we need to get a better handle on that.

And number three, there are some normal business practices that require States and communities who are essentially operating this business to have some carryover money, and that is why the law allowed for 3-year obligational authority, and we understand that.

So on all three fronts, we are looking at ways to have better information to report to you better and to work with you on the resource requirements.

Senator WELLSTONE. We need that.

Then, finally, Mayor, I am going to ask you a different kind of question, because sometimes the discussion gets very complicated

with “obligated,” “expended,” and all the rest, and we have to do that—it is very important—but why have you made this such a priority?

Mayor MENINO. Because of necessity in our cities today. With cities becoming more diverse, with cities being the economic engine—and do not ever forget that; cities are the economic engine of all the States—we have had 8 years of cities doing very well. What I am afraid of is that they are going to walk away from it.

In job training, we do not want to go back to a decade ago when we had unemployment at 18, 19 percent. So training people for those jobs is a must because our economy is changing every day. In Boston, we are very fortunate that we have five different economies that drive our city, so that when one falters, another one will pick it up. But how we train people for those jobs is the most important thing.

That is why the one-stop career centers are important to us as well as the other job training programs. In Boston, we are fortunate that we have a linkage program which creates job trust money for us to train people for jobs also.

So it is important that we have a well-trained workforce to be able to fill those companies that are coming into our city with well-trained workers. That is what we want to do. That is an incentive for businesses to locate within your city limits—that you have a well-trained workforce ready to go to work—and that is what we are doing in Boston.

Senator WELLSTONE. Thank you. I thank both of you.

The CHAIRMAN. Thank you.

Senator Jeffords?

Senator JEFFORDS. I appreciate both of you being here. This is an incredibly important issue.

Yesterday I held a press conference with two young nurses who were in nurses training and were called upon to act at the disaster site. We have two areas of professional problems—math teachers and nurses. Do you have a role in those areas, and what role, if any, is there for those where you know there are thousands of jobs available?

Ms. DEROCO. We very strongly, particularly in the health services area, understand the issue of the shortage of nurses, and it is an area that we would very much like to focus on in the coming year. We have talked about having a business forum with health service providers to identify what are the skills gaps that American workers have that are not positioning them to move into nursing and other health services occupations, what kind of assistance is needed to ensure that that occupational need is filled, and to actually use some of our demonstration money to identify ways in which we might better serve the needs of the health services industry and train more American workforce nurses.

So I would say yes, our system does have a role in this and one that we want to prioritize in the coming year.

Senator JEFFORDS. Mayor?

Mayor MENINO. Senator, Boston is the health care center of the world, really. We have the best health care providers. What we are doing is working with some of our partners and our public health commission to train 50 radiologists over the next 2 years for jobs

in the health care business. We are also offering 30 new nursing and nursing assistant scholarship programs and providing 25 paid internships for Boston residents so they can get into the nursing field. We are also working with partners on Project RISE, where 80 graduates from the wide range of programs we have in our city are going into health care positions in many different departments—radiology, medical records, billing, and environmental services.

So we are trying to deal with all the issues of the health care industry, from radiology to the billing department to the nursing division, giving scholarships to individuals to go into nursing. Nursing is a vocation that people are no longer going into, so we have to give scholarships and other incentives for them to get into those programs.

Senator JEFFORDS. With respect to math teachers, I have over the course of time helped them here in the City of Washington with their struggles. They have found that the only way they can get math teachers is by hiring a retired person or someone who is out of work to come in and teach.

Do you have any ideas for helping in this critical area?

Mayor MENINO. While we have teacher shortages all over this country, in Boston, we had 9,000 applicants for 250 jobs. That is amazing. What we are doing is giving incentives for math teachers to come into our system, and we are recruiting them. We have a heavy recruiting program all over the country to get math and science teachers into our system.

Senator JEFFORDS. Ms. DeRocco, the Disaster Unemployment Assistance Program, which comes under FEMA's jurisdiction, has been tapped to provide assistance to New York following the September 11 disaster. Although FEMA controls the funds for the program, it is my understanding that your agency oversees the implementation. How are you coordinating your efforts with FEMA?

Ms. DEROCO. Very well, actually. The New York Disaster Unemployment Assistance Program and the Virginia Disaster Unemployment Assistance Program are up and available. They are operated and administered through the normal State unemployment insurance programs; they are available for individuals who are not eligible for the normal State UI programs. I understand that New York has had some DUA claims and that they are processing them. We have heard of no glitches in either New York or Virginia in relation to the processing of disaster unemployment assistance claims, and adequate money has been made available through FEMA to support the claims load well into the future at this juncture.

Senator JEFFORDS. Thank you. I am pleased to hear that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Murray?

Senator MURRAY. Thank you very much, Mr. Chairman, for holding this extremely important hearing. I think the issue that we are discussing today is one that is probably going to decide the future of our country and how we handle the workers who are being laid off.

The clocking is ticking. In my home State of Washington, Boeing has announced 30,000 layoffs. Those employees will start getting those pink slips in 8 days, and we expect that 10,000 families will have pink slips before Christmas. This is a very real and frightening scenario, and it is not just the Boeing workers; it is everybody who supplies Boeing. Anybody who sells anything in our State knows the implications of having that many people that quickly laid off.

We are obviously working on the floor with Senator Kennedy and Senator Carnahan on immediate assistance, and I hope we can get that package passed, Mr. Chairman. I think it is extremely important that we let those workers know that we care as much about them as we do the airlines that we helped a week and a half ago. They are good Americans, they have worked hard, and we do not want to lose them and their skills.

I believe—I am an optimist—I believe we will be back, and I think Boeing will be just as strong as it was before, and the airlines will be just as strong, and this country will. We do not want those workers to lose the skills they have and not be ready to be employed again in the future. So the programs that we are talking about today are important, and we need to have those benefits there so that those families can make it through these difficult times.

I am going to continue, obviously, to work with the worker program we have here, but the programs that you have, Ms. DeRocco, are especially important. Senator Cantwell and I submitted a request to Secretary Chao to issue a national emergency grant for laid-off Boeing workers, and I think the Department has that and is reviewing it.

Do you support the use of these funds in circumstances like what is happening in the airline and aircraft manufacturing industries?

Ms. DEROCO. The national emergency grants are there for precisely that kind of purpose—a major plant closing or a major dislocation such as you are experiencing in the State of Washington. It is important for us to quickly act on the national emergency grants from the States. I understand that both our regional office and our headquarters office have been in close contact with the State of Washington to ensure that our action on the NEG proposal is quick and sure.

Senator MURRAY. Have you had conversations with Secretary Chao about this specifically?

Ms. DEROCO. I was actually in her office at the time one of the phone calls came in, and I know she is personally aware of the grant action, and we will be monitoring its movement through the Department very personally and will ensure that that is quickly done.

Senator MURRAY. Very good. I think it needs to be done quickly; as I said, those employees will be getting their pink slips in 8 days.

Ms. DEROCO. I have made note of that.

Senator MURRAY. So there will be consequences, and we need to be there for them.

The CHAIRMAN. If the Senator would yield, could you tell us, Ms. DeRocco, what you have in emergency applications now and how much resources you have, just so we have some idea as we are

dealing with the stimulus program? This seems to me to be one of the programs that has worked very effectively in the past, and there is a very considerable need.

Ms. DEROCCO. Yes. We have in current appropriations about \$220 million, and the new appropriations will add additional dollars, we assume, to the Secretary's national reserve from which the national emergency grants will come.

Senator MURRAY. Two hundred twenty million new—

Ms. DEROCCO. No. The \$220 million is in current appropriations.

The CHAIRMAN. But you have still \$220 million leftover from last year that is not obligated?

Ms. DEROCCO. Yes, sir, I believe we do. Remember the money to support the New York national emergency grant came from the emergency supplemental.

Senator WELLSTONE. Is this money before or after rescission?

Ms. DEROCCO. Post-rescission.

The CHAIRMAN. Post-rescission. So that is \$155 million for New York?

Ms. DEROCCO. The New York request was for \$155 million, but that was part of a much larger request that the State of New York had submitted that the administration is looking at in total.

The CHAIRMAN. OK. So the funds will be eligible to be allocated under the \$40 billion, would it not—is that your understanding—from that last \$20 billion that has to be appropriated.

Ms. DEROCCO. The New York request is being considered as part of that package, but we do have—

The CHAIRMAN. I see.

Senator MURRAY. Is anybody beyond New York—for the Boeing workers, this is a direct impact as a result of what happened on September 11; with the airline industry taking their orders back and Boeing now having to lay off workers, it is a direct impact. Will they be included in that?

Ms. DEROCCO. We have money at the Department of Labor in the national emergency grant fund to handle any number of national emergency grants from States, including those directly resulting from the September 11 attack. So the first line of defense, so to speak, will be for us to look at our national emergency grant resources and make those available as appropriate to States who are making applications to us.

The CHAIRMAN. If we could, Ms. DeRocco, we will ask staff after the hearing to go over with you just what is in the pot, what is eligible out there—I think we need some clarification on our side—and then we will also look at what we anticipate to be appropriated and what the demand is on the first line. We all want to get first priority for those areas that have been directly adversely impacted in terms of September 11, as Senator Murray has said. There are other areas as well, but we ought to have some idea to be able to make judgments regarding the stimulus program.

Ms. DEROCCO. We will give you an accounting of that.

The CHAIRMAN. Good.

Senator MURRAY. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. We want to thank you. You have been very, very helpful. We want to work very closely with you, Ms. DeRocco, and

we thank you very much, Mayor, for giving us a very interesting summation of both what you are doing and the needs out there.

I think you mentioned to us that you have 700 job partners out there for people today, even though we have seen a sizeable increase in the numbers of unemployed by several thousand in the City of Boston, and that the connection is training. That just reminds us again what needs to be done. We have a system I think for the first time—we had a pretty good system, actually, in the PIC program in Boston previously—but I think this program is really set up to do a good job, and we want to make sure that we do not flag in our commitment to these families.

We thank both of you very, very much for being here.

Mayor MENINO. Thank you, Senator, very much.

The CHAIRMAN. Our next panel will include Sigurd Nilsen from the GAO. We thank Sigurd for the excellent report. They are involved in doing three more reports that Senator Jeffords and I had requested.

Next, we welcome Harry Van Sickle, who is the Commissioner of Union County in Lewisburg, PA, who is very active with the National Association of Counties, an important ally.

And our final panelist, I will let my friend and colleague Senator Wellstone introduce.

Senator WELLSTONE. I have, so we can go ahead.

The CHAIRMAN. You have introduced her.

Mr. Nilsen, we will ask you if you will be good enough to proceed.

STATEMENTS OF SIGURD R. NILSEN, ASSOCIATE DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC; REBECCA YANISCH, COMMISSIONER, MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT, ACCOMPANIED BY BERILYNN CORCORAN; AND HARRY VAN SICKLE, COMMISSIONER, UNION COUNTY, PA, LEWISBURG, PA

Mr. NILSEN. Thank you, Mr. Chairman and members of the committee. Thank you for inviting me here today to present the findings of our report on the Workforce Investment Act, which is being released today and was requested by you and Senator Jeffords.

As you know, WIA was a landmark piece of legislation, passed in 1998 to reform a fragmented employment and training system to better serve workers and employers. WIA sought to streamline the delivery of employment and training services, enable jobseekers to make informed choices among training providers and course offerings, and enhance the private sector role of the workforce development system.

Today I will be highlighting findings in our report related to, first, the operation of the one-stops; second, the impact of performance reporting requirements on training providers; and third, the experience of private sector members on workforce boards.

First with regard to the operation of the one-stops, WIA's mandatory partners are making efforts to participate in the one-stops as required by the law. However, they are wrestling with questions of how to accomplish the required participation as well as move closer to the vision of full integration while also meeting clients' needs,

complying with their programs' rules, and staying within their programs' budgets.

Many of the mandatory partners have expressed concerns that significantly altering existing service delivery methods to participate in the one-stops might adversely affect the quality of services they provide to their target populations. For example, staff from Education's Vocational Rehabilitation Program which serves the disabled were concerned that one-stops may not adequately provide the special services, equipment, or personnel that their clients need.

Also, a number of partners have expressed concerns that altering traditional service delivery methods to participate in the one-stops may lead to conflicts with their own programs' requirements regarding which individuals are eligible for the services they offer.

In addition, many of WIA's mandatory partners said that participation in the one-stops created financial problems. For example, in some locations, the employment service operates both at the one-stop and at their existing offices.

Second, regarding the impact of performance measures on training providers, although training providers are making efforts to participate in the WIA system, many believe that the new data collection and reporting requirements it brought are too burdensome to warrant their participation in the system. As a result, they are reducing the number of course offerings they make available under WIA, in effect reducing the training options from which jobseekers have to choose. For example, in the last year, nearly half of Vermont's training providers and three-quarters of the course offerings have been dropped.

Training providers with whom we spoke said that the few WIA clients who have been sent to training since WIA was passed made the data collection and reporting requirements even more onerous. For example, because WIA requires that training providers report program completion, placement, and wage data for all students in a class regardless of whether or not they are WIA-funded, even if only one student in a class of 100 were WIA-funded, the training provider must provide the data on all 100 students.

Further, the methods being used to collect this data strain training providers' resources or raise privacy concerns. For example, some training providers planned to call students after they graduated, which was time-consuming and expensive, while others were planning to provide students' Social Security numbers to State agencies and use unemployment insurance wage records for this data. However, this raises privacy concerns.

Finally, regarding private sector involvement in WIA, private sector representatives who are designated to lead the workforce investment boards have expressed frustration that State and local boards are too large, exceeding 40 members in most locations, and that the manner in which boards are operated may be diluting private sector input and ultimately discouraging their participation.

Private sector representatives also believe that the staff put in place to serve the boards may not share employers' perspectives regarding the system. The board staff, usually the public sector agency responsible for carrying out WIA, is responsible for setting up meetings, developing meeting agendas, and ensuring that boards

stay current with compliance issues. However, we were told that some private sector members had concerns about whether the staff could remain independent.

In addition, private sector representatives believe that committees set up by the boards may dilute employers' input into the system. We were told that private sector representatives are often underrepresented or not represented at all on these committees.

In conclusion, I would like to say that implementation of WIA has been more difficult than many realized it would be. The difficulty of overcoming years of inertia, getting people, programs and organizations to work together that had either never dealt with each other or who traditionally viewed each other as competitors has not been easy.

So it is not surprising that there have been problems and that the first year of implementation of WIA has had its challenges. But remarkable progress has been made. The overriding goal of WIA to create a more unified approach to workforce development is important and well worth the additional time and effort likely required to make it happen.

How best to use the flexibility WIA provides, understand its new requirements, and have the additional partners work together to serve an area's workforce needs does not happen overnight. As we recommend in our report, it would help to provide additional guidance, technical assistance, and identify best practices. In addition, allowing more time to pass to let the various partners in the system figure out how best to operate within the new framework that WIA established may also be needed.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions that you may have.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Nilsen may be found in additional material.]

The CHAIRMAN. Next, we turn to Ms. Yanisch.

Ms. YANISCH. Mr. Chairman, Senator Wellstone, members of the committee, on behalf of all Minnesotans, I bring condolences to our East Coast friends traumatized by the tragic events of September 11.

Unfortunately right now, there is little that we can do on behalf of the victims of these horrific terrorist attacks. My job today is to look ahead at how we at both the Federal and State levels might alleviate the enormous suffering of all Americans and mitigate the long-term economic disruption that surely lies before us.

This economic shock comes at a time of weakness in the economy. Moreover, the economic fallout has rippled far beyond ground zero in New York and Washington. Many State governments, already struggling with economic slowdown and budget shortfalls, have been pushed into further financial distress by recent events.

In Minnesota, the initial impact of the attack is being felt in the airline and closely-related industries. Northwest Airlines, one of the top private employers in Minnesota, has announced plans to lay off up to 4,500 people in our State alone. This will be the largest one-time layoff in the record of our State.

But this is just the tip of the iceberg. The downturn in air travel is likely to impact other sectors of our economy, leading to many

more layoffs by the end of 2001. The total number could easily reach 15,000, pushing the unemployment rate up to the highest level since 1996.

In Minnesota, we have a rich history of progressive involvement in workforce development issues. We view our well-educated, well-trained, and highly-skilled workforce as one of our chief competitive advantages.

Governor Ventura believes that workforce development is economic development, and it is my duty as commissioner to carry that vision forward. The Department of Trade and Economic Development currently provides two critical programs for job training—the Dislocated Worker Program and the Job Skills Partnership Program.

Minnesota has recognized the importance of realigning programs to better assist unemployed and dislocated workers, and I have been directed to merge departments and programs to maximize resources and services.

By next summer, all WIA programs will be incorporated into the new Minnesota Department of Economic and Workforce Development. We want to build on this model of cooperation to ensure a seamless transition from layoffs and dislocations to return-to-work through supportive training programs.

The Dislocated Worker Program operates not as an entitlement but as a program designed to help Americans who, through no fault of their own, have lost their jobs.

To help put a face on this issue, here with me today is Berilynn Corcoran. Berilynn is a single mom with two young sons. She is a member of the International Association of Machinists. Last Monday, September 24, she was notified that she no longer had a job with Northwest Airlines.

Berilynn brings an important perspective to this crisis. At the age of 4, her son Zach was diagnosed with kidney cancer. He is now in his third year of remission. Zach is a fighter, and his mom is a fighter, too. At 8 a.m. the day after receiving her layoff notice, Beri was one of the first workers signed up for the dislocated worker information meetings.

I ask your help in providing the resources to ensure that Berilynn finds the right job with health benefits to support her family. That is what the Dislocated Worker Program is all about, and Minnesota's commitment and investment goes beyond the Federal allocation. As one of only 10 States in the Nation to create its own separately-funded programs, Minnesota has carried over more than \$20 million from good economic years to supplement \$25 million that we will collect this year to invest in laid-off workers.

Minnesota has acted responsibly and will continue to act responsibly in tapping every resource at our disposal. The attacks on September 11 quite likely will result in long-term economic disruption. We will need the support and flexibility in programs such as the Workforce Investment Act to ensure that our unemployed and laid-off workers have the opportunity for training and retraining to compete in our economy.

The formula funding to the States for the basic dislocated program will need to be increased along with funding for the Secretary's reserve. Governor Jesse Ventura has submitted a request

for \$24 million from this reserve to assist the thousands of dislocations we will be facing in Minnesota.

These dislocations will also put an inordinate burden on the entire one-stop workforce center system. Additional funds for the basic adult and youth programs will be important as the States struggle to meet these increased burdens. I would urge your continuing support for the important services that the Workforce Investment Act provides.

Minnesota is a national leader in developing the one-stop workforce centers offering job counseling and recruitment, computer training, and a variety of other services for unemployed workers. Today these highly effective workforce centers serve as the building blocks for the State's response to the current crisis.

In the immediate aftermath of the Northwest Airlines layoffs, Minnesota's rapid response team initiated a series of group information meetings, and a mobile resource center was located on the site to help our dislocated workers.

In short, Minnesota officials are doing everything we can to broaden and strengthen the State's response during this very challenging time. Minnesota is proud of our economic diversity and well-educated, resilient workforce. We have held our own despite the recent economic slowdown, and with your support, I am confident that our State and our Nation will emerge from this current crisis even stronger than before.

Thank you very much.

Senator WELLSTONE. Berilynn, do you want to add some words? Your story is powerful.

Ms. Corcoran. Sure. Like they said, I lost my job on the 24th, and I did go to the workforce center to fill out their survey. I would love to be part of their committee.

I will do anything to get another job. I need the insurance. But the biggest thing is the wait. What is going to happen? Is Northwest going to come back in a month? Will it be 2 months, or will it be 5 months? I need the insurance now. I cannot wait until tomorrow or January or February or March. I need it now.

So thank goodness the programs were in place for me to take advantage of using all the resources, right there in front of me. They were laid right in front of my face, and I could use all the resources right there, and I signed up for everything I could possibly do to help me proceed to my job opportunities as far as the State of Minnesota goes. And hopefully, within the next 2 weeks, they said I should hear word as far as what kind of training I can do, whether it is resume, interview training, possibly going back to school. I am willing to do whatever I need to do to make sure I keep a roof over our heads and food on our table.

Thank you.

The CHAIRMAN. I do not think you are going to have much trouble. [Laughter.]

Ms. Corcoran. Thank you.

The CHAIRMAN. I think you are going to do very well. It is very impressive to get that kind of reaction and that kind of support.

[The prepared statement of Ms. Yanisch was not received by press time.]

The CHAIRMAN. Mr. Van Sickle, we are delighted to have you here.

Mr. VAN SICKLE. Thank you very much.

Senator Kennedy and members of the Senate Health, Education, Labor, and Pensions Committee, I am Harry Van Sickle, a county commissioner from Union County, PA and the chief elected official of the nine-county Central Pennsylvania Workforce Development Corporation and also vice chair of the National Association of Counties Labor and Employment Steering Committee.

On a personal note, I want to thank the committee staff, especially Jane Oates and Marge Baker, for their help and support. They have helped NACO a lot, and they have helped other organizations on this important issue, and without them, this hearing and many other successes that we have had would not be possible, so I just wanted to make sure I mentioned that.

I am delighted to have this opportunity to come before you to speak about a topic of great importance to America's counties and of great importance to me, which is the Workforce Investment Act.

Before I begin, I would like to underscore that there are several issues that need to be addressed through rulemaking and technical amendments, which would include youth eligibility determination, program and policy firewalls, alignment of resources, and funding of the local workforce investment boards and one-stop centers. I would be happy to have a discussion with you about that at another time.

For now, I would like to focus on program implementation and the capacity of our system to be an integral part of your economic stimulus efforts.

First, the Nation's workforce development system is up and running. Across America, every State and locality has an operational workforce development system. The system includes autonomous, private sector-led workforce investment boards that target their energies toward strategic economic and workforce development issues. It has a system of one-stops capable of delivering diverse services to America's workers.

We believe the Act could be strengthened if resources from the 17 mandated partners are aligned and directly coordinated by the local workforce investment boards in a manner similar to Title I. This would ensure that local workforce investment boards and elected officials would have access to all resources for which they are now accountable but over which they really have no control.

Second, workforce programs across America are responding to the immense numbers of dislocations that are taking place and processing them through core and intensive services. As you know, according to the Bureau of Labor Statistics, more than 1.4 million people were terminated from their jobs through July of 2001, and there is reason to believe that an additional half million or more workers have been furloughed since then.

Third, workforce programs across America are spending their money in effective and creative ways. NACO has conducted two informal surveys of all workforce investment areas in the Nation. Those surveys ask what percentage of funds have been obligated. In the first survey, NACO learned that more than 80 percent of the programs obligated more than 80 percent of their adult, youth, and

dislocated worker funds. In the more recent survey, NACO learned that the vast majority of programs have obligated all or most of their program 2001 dislocated worker funds. Some have indicated that they will be unable to provide training to any more dislocated workers; still others have indicated that there is such a demand on their funds that unless they receive additional dollars, they may be forced to lay off staff.

Fourth, workforce programs across America need additional funds if they are to successfully respond to the surge in dislocations. Workforce development programs in virtually every State have reported that they have obligated 100 percent of their funds and that those funds will be spent on existing clients and that they need additional resources in order to handle the continued onslaught of dislocated workers. New York workforce investment areas provide a perfect example of this.

Onondaga County officials report that over 900 people have been laid off in the past 2 weeks. All of their dislocated worker money is spent, and most of their adult money is spent.

The Herkimer-Madison-Oneida Counties program expects to spend all of its funds and needs at least \$250,000 more to meet demand.

The Erie County program projected a shortfall of nearly \$900,000 in dislocated worker funds before the September 11 tragedy.

The Oyster Bay Consortium on Long Island reported that since September 11, they have seen a dramatic increase in the number of residents coming to their one-stop centers, including individuals who want to change jobs so they do not have to commute to New York City. And most importantly, they are out of training dollars.

Rockland County has obligated 100 percent of its dislocated worker funds. Since September 11, they have seen a 60 percent increase in the number of dislocated workers enrolling in the one-stop.

The message is clear. Local programs are responding to the crisis, spending their funds, and in desperate need of more funds.

Fifth, we do believe that we now have the infrastructure in place to respond to the current economic crisis and that we can spend any funds you are willing to provide to us either through a direct appropriation or through an economic stimulus package.

Two novel approaches to delivering services come to mind. The first is to permit us to treat some dislocated workers as incumbent workers. By this, we mean giving us the flexibility to provide skills upgrading to those airline, hospitality service, and high-tech workers who are likely to return to their same jobs once the immediate crisis is over.

The second is to permit us to develop public sector employment programs tied to efforts to shore up homeland security. As you know, counties and cities are often the first to respond to emergencies and are also responsible for much of our infrastructure. The types of emergency that we are now talking about—acts of terror—are new for all of us, but we do know that there are many dislocated workers with significant skills who might be able to help local governments develop methods to secure their databases, identify ways of improving public health services and improving security at city and county buildings. These jobs would be short-term,

temporary, and designed to provide individuals with employment during the recession only. And the NACO staff would obviously be very happy to work with your staff to develop these ideas further.

Finally, let me conclude by saying that we do believe that the Workforce Investment Act is an important piece of legislation, and it has helped us improve the overall levels of service to workers across America. With the appropriate resources, we can do substantially more.

Thank you very much.

[The prepared statement of Mr. Van Sickle was not received by press time.]

The CHAIRMAN. Thank you all. Your testimony is very helpful.

We have heard a number of very useful and important observations. One of the last ones was Mr. Van Sickle's point about the need and how you have taken the resources that you have, and still you have a very significant need.

As a member of your association, do you find that that kind of need is out there with regard to other of your associates as well?

Mr. VAN SICKLE. Yes, it is pretty obvious from the results of the survey. I have not seen it personally, but there is a tremendous need out there. What I do know is that obligated funds—as we talked about before, expenditures and obligations—the obligations are going to be spent, and those are very, very high. If anything more is put on this system right now, it will not be able to handle it because the resources are not there to do it.

The CHAIRMAN. Thank you.

Mr. Nilsen, perhaps you could comment. I understand from staff that we are going to get additional information in the next day or two about the circumstance of these funds and what is out there available and what has been obligated. What can you tell us about your understanding about how much need is out there, and what is the extent of funding that is obligated and still available?

Mr. NILSEN. We looked earlier this year at the amount of unexpended funds, and we did find, as everyone has said, that there is a large amount of unexpended funds available. But again, people were telling us that much, most, or nearly all of the funds had indeed been obligated.

One of the issues that I do not have an answer to, but I have a question, is that right now, this year, as you stated in your opening remarks, the system has been working very well with a very healthy economy. People have been coming in, and they have not been receiving much training. When we looked at the nine one-stops we visited from Vermont to California and Pennsylvania, they sent very few people to training, but at the same time, people were saying that they do not have much funds available for training.

What happens now, as unemployment increases and you have increased pressure on the system and the easy placements are not going to be there, I do not know at this point.

The CHAIRMAN. But your sense is that a great percentage of the funds have been obligated?

Mr. VAN SICKLE. That is what we have been told.

The CHAIRMAN. What can you tell us from the observations that you have made about these centers in terms of addressing their

shortcomings? Do you have any additional sense as to how those shortcomings are being addressed and what progress is being made and whether there is anything we ought to be doing to try to help?

Mr. VAN SICKLE. Right now, the Department of Labor has a number of working groups, and as we said in the report, we think there needs to be a lot more technical assistance and guidance provided to the States, because as we see in local areas, there are some one-stops that are working very well—they are able to get the partners together and get a lot of cooperation—but that is not universal. We know there are a lot of problems with people saying, “This is the way we do things; this is the way we have always operated, and we cannot change that.” People need to know what flexibility they have.

We have been told by some of the programs that “Without changing our legislation, we cannot change how we operate.” We released a report earlier this week on the Veterans Employment and Training Service. One of our major points in that is that they are not fitting in. It is a Labor Department-funded program, and they are not fitting into the one-stops. We made recommendations for legislative changes to make it easier for them to fit into the one-stops and provide integrated services. I think you have the same kinds of issues with some other programs, particularly those outside of the Labor Department.

The CHAIRMAN. Did you reach any conclusions as to people’s satisfaction with the programs?

Mr. VAN SICKLE. We have not looked at that yet, no.

The CHAIRMAN. Thank you.

Senator Wellstone?

Senator WELLSTONE. Thank you.

As I was saying to Senator Kennedy, the Workforce Investment Act—Senator Kennedy worked on it, and it was something that, with Senator DeWine, we spent I do not know how much time on, and some of these things, we can do some tweaking and make some changes here legislatively that I think would help.

I want to put some questions to Commissioner Yanisch from Minnesota, but first I want to say to Mr. Van Sickle that there was something you said that I just want to get on the record, and I do not want to use this for my own purposes, and you can tell me if I am straining for what you said. But part of what you mentioned was that there are also some public sector jobs here, especially dealing with an infrastructure by way of protection that deals with some of the anti-terrorism work that we might want to look at in terms of job creation.

The reason why that really captured my imagination is that I do think we might get to the point—it could be a different economy for a while, where we are training people for jobs that do not exist. The skills development and human capital and workforce development is terribly important, but there also has to be an economy that is producing the jobs for people so the jobs will be there after people are trained. Thus the economic stimulus package becomes even more important.

I just want to mention a couple of things, one of which is that the people in Minnesota who talk to me the most about one-stop centers and how pleased they are about it are the small busi-

nesses. And frankly, a lot of the people who are hurting the most right now are small businesses. There is no doubt about it in my mind. In Minnesota, I hear it everywhere. They just do not have the huge reservoirs of capital.

So I think in this economic stimulus package from the disaster loans, which do not have to be based on geography and how we can deal with 7(a) and 504 and making sure there is access to capital, that this is going to be critically important.

I also think, frankly, that whether it be school construction and rebuilding some of our crumbling schools, or whether it be housing—and God knows affordable housing is an issue—I think we are going to have to look very seriously at some job creation programs, both private and public sector. There is just no doubt about it; otherwise, ultimately, we will have the best workforce development, people will get the skills, but the jobs will not be there.

I want to mention one other thing which ties into what was said, and that is that I think child care has to be a piece of this, because if we are talking about someone who has been working, a single parent, and is now looking for the opportunity to get the skills to look for another job, you are going to need some help when you are out of work with child care expenses.

So I think there are a lot of pieces that have to be put together here, and Commissioner, whether you meant to do it or not, to me, at least, I think what you were saying was, “Listen, Senators, you also have to be cognizant of the fact that beyond the job training, there have got to be the jobs out there.”

Am I correct that you were trying to emphasize that?

Mr. VAN SICKLE. Yes, very much so. And so many people with so many skills will be out there through these mass layoffs, and it just seems that especially at the county and city level, there is a need for data protection, for security within the courthouses and so forth. We do not all have that expertise, so why not put these people's skills to work in their time of need also? They might not be able to get back to work right away, but in the meantime, I think this would be a very good addition to the homeland security department that Governor Tom Ridge is going to be running.

So yes, there are jobs out there, and there are people out there with the skills that are needed on that front, so let us try to mesh those.

Senator WELLSTONE. Quickly, Commissioner Yanisch, you said that Minnesota has never experienced anything quite like this sudden downturn from 4,500 people losing their jobs, and then the ripple effect. Could you give us just a little bit more of a sense of the impact as you see it on the State of Minnesota, and kind of spell out for us where you see this heading in terms of the ripple effect or what you see as the ripple effect?

Ms. YANISCH. Senator Wellstone, members of the committee, what we are seeing happening is really unprecedented in our State. Normally, Minnesota's employment rate is at least half a percent or greater under the national rate; instead now, with these major layoffs in some of our core industries, including the airline industry, we are plummeting to new lows.

What we see happening here—and I am glad you brought up small business activity, because that is a crucial part—in greater

Minnesota during the 1990's, we had incredible job growth in our manufacturing area in smaller communities, which I think is probably similar to some of the economic scenarios that Senator Clinton sees in Upstate New York. What is happening now is that those communities are being devastated as those small manufacturers are closing their doors. So it is mass layoffs in companies that have never done mass layoffs before, including 3M. It is across the board closing the doors of small businesses which are the manufacturing core of many communities in greater Minnesota.

So the combination of those two events is providing an incredible amount of stress on our dislocated worker system.

Senator WELLSTONE. I thank you. I do not want to take any more time, but would just say at the end that I really appreciate your testimony. We will work very hard to get this national emergency grant. Other States are certainly in dire need of it as well, and it cannot become a zero sum game where something for New York is not something for Minnesota, or something for Massachusetts. We just cannot get into that. We are going to have to get the money.

Again, I have never looked forward so much and never dreaded more at the same time the hearing that I am going to hold in Minnesota on Monday, because it is terribly important, and I want to know and all of us want to know—I think this economic downturn cuts across a very broad section of our population, but on the other hand, I think there will be an awful lot of people in a lot of economic pain. We have got to get to work on the economy, and I also believe it is the role of Government—it will not surprise you—to help people when they are flat on their backs. I think that is part of what we have got to do.

Thank you. Mr. Nilsen, I want to talk to you later, if I can, about your report. Thanks for doing it.

The CHAIRMAN. Senator Clinton?

Senator CLINTON. Thank you, Mr. Chairman, and I want to thank our panelists for being here to talk about this important issue.

We are struggling with what was happening in the economy before September 11 and now the devastation following September 11. I think the combination of the mass layoffs and the slow but steady loss of jobs before that puts us in a very difficult position. Yet we know from our own experience that workforce training is a key to getting back on our feet and getting people reemployed and keeping people employed. So I thank you.

I also want to publicly thank the Department of Labor. I could not get here in time to personally thank Ms. DeRocco, but the Department of Labor under Secretary Chao has been very helpful in New York and provided us with some immediate money that was extraordinarily needed.

One of the challenges that we face in New York is trying to grasp the extent of damage that has occurred to the economy as well as to human life and our infrastructure. The Department of Labor in New York reported that 285,000 individuals have been displaced or unemployed as a result of the terrorist attacks. There were other workers, however, who were already put on notice that the economy was turning. We had 28,000 who received warning notices this year, 9,000 more than last year.

I thank Mr. Van Sickle for referring to some of the New York statistics, because there are very serious trends in rural New York and in Upstate New York; it is not just in New York City. In Syracuse, one of the places that Mr. Van Sickle referenced, in Onondaga County, our workforce investment board there reported that, "We have laid off over 900 workers in the past 2 weeks. All of our dislocated money is spent. We have little adult money. We are desperate. Please help."

To put another human face on this situation, my office received a call from a single mom who had worked for the U.S. Airways reservation center which had been in Syracuse for 21 years, and when the September 11 disaster occurred, and U.S. Airways began cutting back everywhere, they served notice that they were going to close that call center, putting more than 400 people out of work, giving the workers literally 5 days to decide whether or not to move to Florida. That is an impossible decision to make in 5 days when you have children and parents and obligations. It is a very difficult dilemma to face.

In Buffalo, which is Erie County, they are projecting an \$866,920 shortfall in dislocated worker funding.

So we know that the dimensions of the problem are significant and growing, and the Workforce Investment Act of 1998 was a forward-looking solution to try to unify our employment and training systems. It has really only been up and going for 2 years, and there are lots of kinks to be worked out in the system. I really appreciate GAO giving us such good advice. But it is clear that we have to continue to have these programs in place. They are part of a safety net. If we could have the rate of unemployment that we had in the last part of the 1990's forever, we would not need it except for those few exceptions. But we can never predict life like that. We have no way to control natural disasters or, in the case of what happened 3 weeks ago, this terrible attack. So we have got to be better prepared, we have got to improve our workforce training programs, and we will be looking to your suggestions, every one of you on this panel.

I specifically wanted to ask Mr. Nilsen—I was very interested in your analysis of the difficulty that many localities are facing in setting up these one-stop centers. We have talked about one-stop centers for 15 years. Senator Kennedy reminded me that when I was a civilian—100 years ago, it seems—I guess it was in 1990, I testified before this committee on behalf of workforce training and school-to-work and other kinds of issues that we were confronting in the economy at that time. That was a time of downturn, so people were focused on how we could get our workforce ready. During the 1990's, things turned up, and jobs were plentiful for people willing to work, and we lost that sense of urgency. But the Workforce Investment Act and the idea of the one-stop centers is still a very sound approach.

Could you tell us more about your recommendation for any guidance or waivers from the Federal Government in order to help localities meet their goals of providing unified services? I know we have rules that have to be followed on specific programs and target populations. No. 1, how do we do that without breaking the rules; and number two, do we need these rules? How can we break

through these categories and look at people individually as they represent themselves at the one-stop centers?

So if we have to live with the rules for a while longer, how do we do it, but where do we go from here?

Mr. NILSEN. At the outset, we suggested that there needs to be more Federal leadership from the relevant departments—the Departments of Education, Labor, Health and Human Services, HUD—which all have programs that are operated and are mandatory partners in the one-stops. They need to set the stage to help provide the guidance to the States and localities on what flexibility they have in their programs and how they can use that flexibility to integrate the services through the one-stops.

As I said, one of the concerns was that, “No, our program does not allow us to do this.” Some of that is because this is just the way they have always operated. In other cases, it is legislatively mandated. The Veterans Employment and Training Service is one key that we recently issued a report on, saying you need to make some legislative changes to provide more flexibility for how those programs operate in the one-stops.

For others, it is a matter of a priority system that they have established for meeting the needs of the hardest to serve within their communities. For example, for the disabled workers under the vocational rehabilitation program, whereas WIA wants to serve everyone, they say no, we only serve the most disadvantaged. We have heard about instances where people have been sent back and forth between the two programs. They say, “You have to go back to the adult WIA program.”

So first, it is a matter of providing additional leadership in terms of letting people know what is allowed, what their flexibility does allow. It is also working to find those legislative changes, regulatory changes that need to be made in order to facilitate that. But I think a lot of it is technical assistance and providing best practice information for the locals so they can make the decisions about how best to serve the needs in their local areas.

Senator CLINTON. Mr. Van Sickle?

Mr. VAN SICKLE. You hit the nail on the head, and it is exactly what I was talking about, with alignment of resources. It really should be fixed on a permanent rather than a temporary basis.

As you know, these workforce boards are private sector-led, which is very, very key to this whole Workforce Investment Act. As an example in Pennsylvania, there is about \$1.8 billion set up for employment and training programs, and only \$600,000 comes through the workforce investment board or is coordinated through the workforce investment board. All the other funds are outside, but they are supposedly brought into this one-stop system.

The problem with that is that you have offices set up outside the one-stop system and a sometimes a reluctance—sometimes—to bring a person into that one-stop to provide services for a targeted population.

It makes no sense to me that a WIA person who is in that one-stop cannot give services to a veteran who walks in, or someone from OVR, and charge it off, obviously, to that funding stream. But that is a problem within the one-stops right now, because number

one, the workforce investment boards, which are private sector-led, are not able to coordinate all the funds.

Senator CLINTON. Thank you very much. We will certainly look into that. Those are very helpful ideas, and I hope that all of our panelists—I am glad to see you again, Commissioner Yanisch—will help us work to streamline this system and make it produce the results that we all want it to.

Thank you.

The CHAIRMAN. That is a very worthwhile point, and we should try to figure out how we can do it.

In our State, we have the private sector REBs, or regional economic boards, and that does include those, and it works up there. But we have got to figure out ways to do that in the broader sense, so that is a helpful comment.

Thank you all very much for being here. Your testimony has been very helpful. You remind us why we are here and why this whole effort is important, so we are very grateful to you for making the trip.

The committee stands in recess.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF EMILY STOVER DEROCO

Mr. Chairman and Members of the Committee: Thank you for this opportunity to speak with you today about implementation of one of the Nation's most critical resources for unemployed workers: the One-Stop Career Center system created under the bipartisan Workforce Investment Act of 1998. We believe that during both good and bad economic times, One-Stop Career Centers are important components of workers' economic safety net, be they dislocated workers, welfare recipients, or employed individuals trying to enhance their careers. The emphasis is on seamless high-quality service to the customer. The ability of the workforce investment system to meet the needs of workers who are laid off or seeking new employment will be severely tested in the weeks and months ahead-and I know the system will rise to the challenge-.

During my visit to New York City two weeks ago, I met with the New York State Labor Commissioner to discuss their immediate needs in response to the September 11 attacks. Available data indicate that businesses in the area of lower Manhattan affected by the attacks employed approximately 700,000 workers. Of these workers, preliminary estimates are that over 75,000 workers may file Unemployment Insurance (UI) claims, and an additional 35,000 Disaster Unemployment Assistance claims may be filed by individuals not covered by the basic UI program. We are working closely with New

York, Virginia, and other affected states to ensure that needed services are available through the new workforce infrastructure.

The Labor Department has already provided \$25 million to meet immediate needs in New York to create temporary jobs for dislocated workers and other unemployed individuals to conduct clean up and restoration work and provide humanitarian assistance. We also have provided \$3.5 million in administrative funds to the New York Department of Labor to restore the UI claims processing infrastructure. In addition, administrative funds will be provided to cover the costs of increased UI claims workload in New York. Our federal staff members are assisting in other ways too-some volunteered last week to help the Commonwealth of Virginia take initial UI claims at Reagan National Airport until Virginia could relocate staff to the area.

Ensuring that there are adequate financial resources is critical to meeting the demands of this crisis, but money alone is not enough. The services must be effective and "user-friendly," in the best traditions of high quality service. Workers who have lost their jobs need to have quick access to their unemployment compensation benefits, and they need rapid reemployment services to find new jobs and, if needed, access to training and retraining to enter different jobs and careers. Many of these workers will be able to help themselves through the use of electronic tools such as America's Job Bank. These tools are available at One-Stop Career Centers and through any computer with Internet access. Many others who are not keyboard proficient or who face other barriers to reemployment will need staff-assisted services. Finally, if we are to achieve the changes envisioned in the Workforce Investment Act, we must continue with the creation of genuine relationships with the private sector and between the workforce and

economic development systems. We also must produce high quality consumer information on occupations of the future and relevant training programs.

Today, I want to talk with you about the status of WIA implementation. In this effort, we not only are trying to implement the provisions of the law, but also are working on a long-term, sustained effort to build an integrated public workforce investment system in each state and across the nation. This requires dramatic changes to our system, and tremendous commitment from all of our partners.

Generally, states and local communities have made great strides in implementing WIA. All 54 states and territories have plans approved by the Department and are operational. Some areas have met only basic requirements to date; many others are striving for full implementation of WIA. In our recent survey of 130 local areas, all of them, with the exception of a local area in one territory, had at least one comprehensive One-Stop Career Center up and running. GAO Report

I want to thank the General Accounting Office (GAO) for its extensive information-gathering efforts on subjects of immense importance to us as we enable the states and local entities to strengthen this system. Its research has paralleled our own investigation and analysis. The GAO identified three central issues in its report that we agree are critical to the success of WIA implementation: (1) participation in the One-Stop delivery system by -required partners; (2) participation by training providers in the eligible training provider system; and (3) participation by private sector representatives in the governance of the workforce investment system.

The GAO noted that many partners have programmatic or financial concerns with regard to fully integrating their services in One-Stop Career Centers. This is not unlike the private sector where a mega-merger of various dynamic companies can create an inherent tension in the creation of a new corporate culture. The One-Stop Career Center challenges are unique, however, in that they require the management of a multitude of separate program funding arrangements and requirements, and local governance roles and responsibilities must be evaluated and clarified. Guidance on sharing costs in a One-Stop service delivery system was prepared through the collaborative effort of our federal partners, and was published in the Federal Register earlier this year. Additional guidance and assistance will be available through the dissemination of promising practices.

There are outstanding examples of integrated One-Stop Career Centers throughout the country, and they are setting new expectation levels for the workforce investment system. They show us that it is possible to effectively integrate employment, education, training, public assistance, and information services that customers need at a single location in their neighborhoods. The One-Stop Career Centers in San Diego, California, for example, are well integrated: WIA Youth Activities are augmented by a Job Corps Center, and affiliation with the Black Contractors Association, an organization that provides training in the building trades. Importantly, these centers strive to provide job seekers and employers with a positive experience at their centers. This is reflected in their recent customer satisfaction score, which compares favorably to those earned by recognized customer service leaders, including Nordstrom, Target, and Southwest Airlines. Since July of this year, the San Diego Career Center Network has served over 26,000 individual customers, 83 percent of whom said they were satisfied with the Network's services.

Another example is the One-Stop Career Center in Jamaica, New York, which was highlighted in a recent New York Times article for its customer focus. As the article emphasized, these centers help customers find their next job by offering job counseling and recruitment services; free faxing and Internet access; computer training; and workshops on resume writing, interviewing, and starting a business. One satisfied customer was quoted as saying, "My experience was remarkable. They treated us like professionals rather than problems. I think they want to help you get through a period when you're unemployed easily and to make that time a short time."

The GAO also pointed out that some states have experienced difficulty recruiting Eligible Training Providers because the providers believe the requirements to get on the list are too burdensome when compared to the number of WIA-funded students they will enroll. This difficulty in recruiting providers reduces the number of training options for individual customers, and it also decreases the amount of consumer performance information on training programs available for the general population. Some local Workforce Investment Boards are leading the way in working through these difficult issues, and have met with success. While each state's policies are different, the most successful states have highly-developed written policies, many allow providers to apply and update data on-line, and some states make provider performance data available at a low cost, for providers that choose not to collect it themselves. Missouri has 290 providers offering 7,696 training programs, with 3,900 individuals receiving Individual Training Accounts, the financing mechanism created by this Committee under WIA to provide individuals with vouchers to finance their training. In Texas, 9,500 adults took advantage of over 4,600 programs offered by 400 providers in July and August of this year alone. These are just two examples that show success is attainable for states that work closely with state education agencies, State and Local Boards, and providers.

Finally, the GAO found that private-sector representatives might be discouraged from participating on workforce investment boards as a result of their large size, and how states and localities are operating their boards. Successful Local Boards require the active participation of business members to ensure that the workforce development system prepares people for current and future jobs, and that the board is involved in the area's economic development activities. One example is the Pacific Mountain Workforce Development Council in Olympia, Washington, which has partnered with local Chambers of Commerce to help rebuild small towns devastated by the loss of the logging industry. Other boards, like Kentuckiana Works in Louisville, Kentucky, provide current regionalspecific labor market information to local stakeholders for strategic planning needs, thereby making the board useful in community and business planning efforts. Some boards have worked to increase member participation and create a more manageable governance structure by dividing boards into smaller committees focused on specific issues. Again, these boards are setting the standard for what others can achieve.

The GAO focused on three of the most important issues involved in such a massive change to the workforce development system, but there are others. The Employment and Training Administration (ETA) continues to work with states and local areas to raise the entire system to the level of the model approaches I have highlighted and to address the challenges that still exist. At the same time, we are keenly aware that these local areas are successful because they realize a vision and objectives that are targeted to the local labor market. We are committed to assisting whenever necessary while recognizing that innovation will come from the state and local levels.

In consultation with the Department's state, local, and other federal partners, including the Departments of Agriculture, Education, Health and Human Services, and Housing and Urban Development, the Department has provided unprecedented levels of guidance on implementing WIA since its passage. The Department held town hall meetings around the country, providing an opportunity for the partners and the public to comment on the various policy directions in the proposed implementing regulations and strategic planning guidance, including guidance on unified planning with partner agencies. Last fall, after the July 2000 implementation deadline, ETA regional office staff conducted a series of on-site reviews to gauge the progress that states and local communities were making in implementing WIA, to identify emerging concerns and issues, promising practices, and technical assistance needs.

We have found that definitions may vary within a State with respect to determining dislocated worker eligibility, including length of attachment to the workforce, for example. Some State and Local Boards have not established clear procedures and eligibility criteria for the three tiers of service: staff-assisted core services, intensive services, and training services. These policies affect the numbers of individuals ultimately receiving services, beyond the self-directed core services.

We have convened four work groups that have been meeting since last spring to get a clearer understanding of current challenges and to develop specific proposals to consider in meeting them. The four groups of local, state and federal subject-area experts focused on the following topics: (1) the One-Stop system, (2) adult services, (3) youth services, and (4) attracting and retaining employer involvement on State and Local Workforce Investment Boards. Based on the workgroups' input and information, ETA has identified several actions needed to address key readiness issues, many of which will occur by the end of the year. To address issues at local One-Stop Career Centers, for example, we are working with a states to develop ways to share promising practices. We plan to issue guidance this fall to address many issues, including how to simplify participant eligibility determination and intake. Through the assistance of our business partners, we will also work to increase the understanding of board members about the roles and responsibilities of Local Boards.

We have been working continuously with other federal partners, such as the Department of Education and the Department of Health and Human Services, to clarify for One-Stop operators what is permissible under various federal programs, and to encourage the creation of productive partnerships and collaboration at the local level. We plan to concentrate our efforts on issues relating to development of performance data on education and training programs, and how to bring new rigor to all systems. We will continue to closely monitor WIA implementation efforts on the ground and provide technical assistance and issue guidance when appropriate.

I want to assure you that we also are keeping close watch on the availability of funds in the present economy. State and local community spending under the Workforce Investment Act has been less than anticipated. Because of slower spending, there will be \$1.8 billion in unexpended balances—an unprecedented level that will allow the system to address the needs of state and local workforce systems and the number of people

needing services over the next year. As states and local communities address local economic challenges through reemployment and outcome-based training strategies, expenditure rates likely will increase. As you know, the Administration is exploring a range of options to stimulate the economy and provide assistance to dislocated workers and the unemployed to address the economic disruptions triggered by the terrorist attacks of September 11.

CONCLUSION

Thank you for this opportunity to share our observations about the implementation of the Workforce Investment Act. We are confident that WIA provides greater opportunities for all Americans so they can gain the freedom to make sound economic decisions for themselves and for their families. At the Department of Labor

we will continue to support state and local agencies as they work to quickly and effectively help those affected by the aftermath of September 11h attacks, and the ripple effect the attacks have caused. Next year at this time we will be able to reflect back and say, "They were up to the task."

I will be happy to answer your questions.

PREPARED STATEMENT OF SIGURD NILSEN

GAO has done a survey of 12 national organizations, states and local areas to assess the needs of the local and state workforce boards and the one-stop centers during the first year of full implementation of the Workforce Investment Act.

Early implementation has brought some challenges to local areas. This legislation created sweeping changes in a fragmented job training system. Mandatory partners (like Vocational Rehabilitation and Veterans) have struggled with how to participate in the One Stop Career Centers without watering down the services that they provide to their target population.

This streamlined system requires 17 programs administered by 4 federal agencies to make their core services available through the One Stop. A fully integrated system would have all partner programs under one management structure offering joint delivery of services.

The business-led boards help the system to be driven by the labor market needs in the local area. Workers are trained in fields where they can be placed in employment in their local area.

The Secretaries of Labor, Education, HHS and HUD jointly explore the programmatic and financial concerns raised by state and local implementers that affect their ability to fully integrate services.

Training providers will also need time to resolve data collection issues before they are judged on their performance. Congress may want to give training providers additional time before they have to meet all the WIA requirements.

Training providers are required to collect and report data on program completion, placement and wage data for all students in a program, not just those funded by WIA. This has become a potential burden to many providers and has raised concerns that providers may choose to "opt out" of the system.

The Department of Labor needs to disseminate the success stories of successful implementation and continue to provide technical assistance as local areas struggle with implementation issues.

Questions

1. The message that comes through in your report is that many states and locals are not yet taking advantage of the flexibility we provided them under WIA. However, you also say that because WIA is still new, guidance and time are the courses of action rather than significant congressional action. What do we need to do to make sure they start to use their flexibility better? Do you think it's time that we reigned in that flexibility?

2. You recommended that Department of Labor and others provide better guidance to state and local implementers. While guidance can be helpful, aren't we potentially overwhelming states and localities with information? What else needs to be said, and is the federal government the one to be saying it?

3. Your report highlights the various issues that state and local implementers raised concerning their ability to move closer to the vision of "full integration". Why did you use that as the comparison, rather than looking at other models for one-stop operation offered by Labor such as simple collection or electronic linkages?

4. If states and localities continue to operate the one-stops the way they are currently operating them, will WIA be successful in reforming the fragmented, duplicative system we had before WIA?

5. Your report says that training providers are dropping off the eligible training provider list, but I'm not sure that's necessarily a bad thing. It was our intention that WIA would help weed out the inefficient training providers. Can't we assume that's what is happening here? Should we be concerned that we are losing high quality providers?

6. I understand that private sector representatives are frustrated with the board operations. Do you think that the concerns expressed by the private sector are real impediments to their getting involved? Is there really something that can be done to get the private sector involved and accountable for the success of our nation's workforce development system?

7. I would be very interested to hear about some local success stories you witnessed during your audit work. What were states and locals doing to address some of the problems you highlight in your report?

AMERICAN ASSOCIATION OF COMMUNITY COLLEGES,
WASHINGTON, DC 20036,
October 4, 2001.

Hon. Edward M. Kennedy,
U.S. Senate,
Washington, D.C. 20515.

DEAR MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: The American Association of Community Colleges (AACC) appreciates the opportunity to submit comments for inclusion in the record of today's hearing entitled, "Job Training: Helping Workers in a Fragile Economy" held by the Senate Health, Education, Labor and Pensions Committee. AACC represents over 1,100 regionally accredited postsecondary institutions of higher education—institutions that are deeply involved in the delivery and administration of job-training services throughout the United States. We strongly support the Workforce Investment Act system and want to do all we can to ensure that it realizes its potential.

Over the course of the implementation of the WIA, AACC has been concerned about the level of its members' involvement in the new system. Some of our colleges feel that provisions regarding training providers create an undue burden and should be reexamined. Many of our colleges are troubled by the increased levels of data that the institutions must provide in order to be training providers, compared to the Job Training Partnership Act.

AACC is pleased that, under WIA, community college programs are automatically WIA-eligible for one year. However, to be re-certified as training providers, they must submit on an annual basis completion rates, the percentage of individuals who obtain employment, and wages at placement of employment for all individuals participating in the program. This requirement is serving as a strong disincentive for widespread community college participation in the workforce development system.

There are considerable costs involved for our institutions in meeting these reporting requirements. Many are finding that they cannot maintain subsequent eligibility because of the time and money involved in continually collecting, preparing and submitting the performance data. This problem tends to be more pronounced for our smaller rural institutions that tend not to have the resources to dedicate to a whole new system for data collection and reporting. Because of this general situation, our institutions have had to reduce the number of programs they are making WIA eligible. Colleges are not receiving additional funding to cover the new expenses associated with reporting performance, nor are they recouping these costs through WIA enrollments. This situation is compounded by the fact that our colleges gather similar, but different, data for the Carl D. Perkins Vocational and Technical Education Act as well as numerous state and local accountability requirements. If current trends continue, the goal of consumer choice envisioned by the law will be lost because of the diminishing number of programs made available. This would be an extremely negative outcome. Of course, scores of community colleges are making numerous programs available.

In addition, some community colleges are troubled by the many fewer enrollments of WIA students compared to JTPA. We are concerned if this means that persons who could greatly benefit from comprehensive training programs to improve their long-term earnings potential are being steered into work first. Training is being relegated to an activity of last resort in the WIA system, then the system is short-changing those whom it is intended to serve. It is failing both the businesses that rely on finding well-trained workers and the participants who need additional training to secure better employment.

AACC would welcome the opportunity to share these and other thoughts with you at length at an appropriate time. We appreciate your engagement in these critical issues.

Thank you for extending us the opportunity to share our comments with the committee.

Sincerely,

GEORGE R. BOGGS,
President.

THE BOSTON PRIVATE INDUSTRY COUNCIL,
BOSTON, MA, 02019,
October 3, 2001.

Hon. Edward M. Kennedy,
U.S. Senate,
Washington, DC 20510.

DEAR SENATOR KENNEDY: I am writing on behalf of the Boston Private Industry Council, which serves as Boston's Workforce Investment Board, to ask for your support for full funding of the Workforce Investment Act (WIA) for fiscal year 2002. As you know, this Act, passed in 1998, is the primary investment of the federal government in a skilled workforce, one of the critical elements of a competitive economy. In Boston, we have spent our WIA resources carefully and completely, having served nearly 10,000 Job seekers and over 2,000 employers through the one-stop career centers, 360 individuals with training services, and 451 youth with alternative education services and summer jobs.

Our one-stop career centers are state of the art facilities with one-on-one counseling, highly utilized resource libraries, connections to all job banks, workshops on a range of employment issues, and employer account managers. The centers, which opened in 1996, have raised the employment rate of their Customers continuously since replacing the employment service. Their customer satisfaction levels of Job seekers and employers have always been in the high nineties.

We have certified over 300 vendors as part of the individual training account system. Of the individuals who have used training accounts, 75 percent have no more than a high school education, and the majority are from communities of color. Most importantly, 84 percent of the graduates are now employed, Wage rates for dislocated workers who graduated from training are at 115 percent of their previous salaries.

Full funding of the Workforce Investment Act allows us to sustain these services, just as the sudden turn of world events is causing lay-offs and job shrinkage in several industries including travel, tourism and hospitality. Additional funding would allow us to target education and training vouchers for those who can use their period of unemployment to improve their skills in order to be more employable once hiring in these industries resumes.

Simultaneously, it will be important to manage the impact of world events on inner city youth. The Workforce Investment Act is the conduit for youth funds that are now only a fraction of what they were ten years ago. Our youth system targets at-risk youth who have dropped out of school and re-engages them in alternative high school diploma programs. Boston is fortunate to be the recipient of a federal grant that is allowing us to open a new Youth Opportunity Center in Roxbury this October. We also fund summer jobs programs that are linked to the year-round education programs. The youth are predominately 14 and 15 year olds and are all low-income.

You are most welcome to visit any of our centers, training programs or youth programs, or to refer a constituent to any of these services. I have attached an implementation report for the Workforce Investment Act to this letter for your information. Thank you for your support of this critical investment of federal dollars.

Sincerely,

ROBERT MUDGE,
President, Massachusetts, Verizon.

STATEMENT OF THE WORKPLACE, INC.

As a member of the Board of Director of The Workplace, Inc., I urge the Senate HELP Committee on the Workforce Investment Act to provide greater support for workforce development in the United States.

I respectfully request that you:

Do not rescind funding in the 2001 WIA budget.

Increase the 2002 WIA budget to meet the growing need in our labor force.

Recent attacks on the United States have presented us with our greatest challenge in decades. Our basic security is threatened, and our economy is producing layoffs at every level. Workers competent in their former fields need job training for other industries needing workers; employees previously new to the workforce find themselves again dependent on public assistance; and others hoping to enter a job see a bleak future.

As the cornerstone for workforce development, the Workforce Investment Act offers the opportunity to address our rising unemployment. Southwestern CTWorks

Centers, our three one stop centers in our region of Connecticut, have given career assistance to over 16,000 people, and more than 600 were given job training. The WIA supported this work and did not fully satisfy the need in the first year. The need will grow.

Thank you for this opportunity to submit this testimony.

STATEMENT OF GREATER BOSTON CHAMBER OF COMMERCE

An historically low unemployment rate has triggered a demand for skilled workers, one of the most urgent needs facing Massachusetts employers. Member companies are finding it increasingly difficult to recruit and retain professionals at all levels, stifling their ability to meet current project demands. It is estimated that approximately ten percent of all job openings at Greater Boston technology companies are currently unfilled.

At the State House and in Washington DC, the Chamber will continue to work to ensure that member companies can recruit the talented workers they need.

[Whereupon, at 11:52 a.m., the committee was adjourned.]

